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PCC Explorations Limited



Annual Report '69

YEAR ENDED JANUARY 31/69

PCE EXPLORATIONS LIMITED

OFFICERS Murray Watts, *President and Managing Director*
 Murdock C. Mosher, *Vice-President*
 R. Y. W. Campbell, *Secretary*
 G. A. Loader, *Treasurer*

DIRECTORS Murray Watts, Toronto, Ontario
 Murdock C. Mosher, Toronto, Ontario
 J. Austin, Vancouver, B.C.
 M. E. Davis, W. Vancouver, B.C.
 D. Sirola, Toronto, Ontario

REGISTRAR AND Canada Permanent Trust Company,
TRANSFER AGENT Toronto, Ontario

AUDITORS McDonald, Currie & Co.

SOLICITORS Day, Wilson, Campbell,
 Toronto, Ontario

HEAD OFFICE Suite 420, 159 Bay Street, Toronto

DIRECTORS' REPORT TO THE SHAREHOLDERS

I am pleased to send you this review of the 1968 operations, together with the financial statements for the period ending January 31, 1969.

Working capital of the company as of January 31, 1969 totalled \$880,737.

The largest expenditures were in the Coppermine River area, N.W.T. through major financial participations in Coppermine River Limited, and Teshierpi Mines Ltd., in each of which PCE holds a vendors interest in addition to its purchase of treasury shares. Lesser financial participations were taken in Northville Explorations Ltd., and East Coppermine Explorations Ltd., both located in the same area. Funds have been available for all three companies to continue their 1969 programs of exploration.

The company also participated substantially in two Arctic Island area exploration ventures. The Muskox Syndicate, upon which Muskox Mines Ltd., has been formed and the Axel Heiberg prospecting expedition upon which Heiberg Sulphur Mines Ltd. is in process of being formed. PCE will own 45% of the vendors interest in the latter company.

Mining claims in Rouyn Twp., Quebec, were allowed to lapse for lack of encouragement in two cross-sectional diamond drill holes. Two diamond drill cross-sectional holes were completed on the Langmuir township claims for their geological interest and these claims will be kept in good standing. Those claims retained are adjacent to the east boundary of claims held by International Nickel Company and Noranda Mines Limited.

Some mining claims in the Sudbury - Blind River areas were allowed to lapse, while others were kept in good standing for their geological interest.

A group of 75 claims in Roberts and Kitchener townships was optioned for uranium interest with prospecting planned for the 1969 season.

A total of 234 claims in two groups were staked in a new area to the northwest of the Otish Mountains in northwestern Quebec for their uranium interest. Prospecting is planned for the 1969 season.

A total of 975 claims in seven groups were staked and optioned in the Mont Laurier area of Quebec for uranium potential. Prospecting is now underway on these claims. The optioned claims were allowed to lapse.

A total of 264 claims was staked in the Artillery Lake area, N.W.T., with a prospecting party now on its way to the property.

A total of 26 claims was staked on Achook Island, Great Bear Lake, N.W.T., on a 50-50 basis with Mariner Mines Ltd., for its copper interest. Work is planned for the 1969 season.

An option on a claim group at Campsall River, N.W.T., was relinquished and an option group on the East Main River in Quebec was also dropped.

COPPERMINE RIVER LIMITED

Expenditures for the 1968 work program totalled \$1,006,861 of which PCE subscribed \$245,001 in exercising its right of financial participation equally with Conwest Exploration Co. Ltd., Consolidated Proprietary Mines Holdings Ltd., Pan American Canada Oil Ltd. (a wholly owned subsidiary of Standard Oil of Indiana), and Newconex Canadian Exploration Ltd. (a wholly owned subsidiary of Consolidated Goldfields of South Africa). In addition to the financial participation PCE is also the chief vendor in Coppermine River Ltd.

As a result of the diamond drilling of 72 holes in the No. 47 zone, totalling 33,000 feet for the 1967-1968 season's work, the drill indicated reserves totalled 4,162,000 tons grading 2.96% copper after allowing a 10% dilution factor. Concentration tests indicated a recovery of over 90% grading 55% to 60% copper, plus about 10 ounces per ton in silver.

The extensive 1968 seasons work program is summarized as follows:

Construction:

Buildings erected included a new bunk house, staff house, assay lab., core shack, meat house, food storehouse. There were 5.2 miles of additional road built and three miles of improvements to existing roads.

The airfield was lengthened to 4700 feet by 150 feet wide, making it suitable for larger freighter planes and to comply with D.O.T. regulations for the very economically advantageous unit toll rate set by PWA and Northwest Airlines.

A total of eight 20,000 U.S. gallon steel tanks were installed for bulk oil and gasoline products.

Geophysical Survey: A total of 268.7 line miles of radio frequency E.M., 242.5 line miles of magnetic and 53.2 line miles of induced-polarization surveying (38 gradient, 15.2 dipole dipole and pole dipole) were conducted in 1968.

Geological Survey: A total of 630 claims were geologically mapped during 1968.



MURRAY WATTS
President and Managing Director

Diamond Drilling: From the period May 6 to September 13, 1968, 64 holes were drilled amounting to a total footage of 29,569 feet.

Preliminary Feasibility Study: Very extensive detailed studies, including alternatives and their elimination, were conducted both independantly and by the company staff under J. Bracken, P.Eng. This was done on all phases of capital and operating costs for the possible development and production of copper concentrates, containing minor silver from the No. 47 zone, using a basic rated capacity of 1,000 - 1,500 tons per day. This rate is considered the most economic one for a life of over eight years on the present drill indicated reserves only.

The management of PCE is of the opinion that the life of the project could well be extended beyond eight years — perhaps many times the life of the present ore reserves — once commercial production were achieved and funds for additional exploration become available from income. At this time exploratory costs could also become a fraction of those of today, due to the increased efficiency of facilities installed for production with ancillary services of townsite, manpower, transport by land, sea, and air, and a large scale electric power development, and perhaps by the undoubted stimulation given to the developments of other mining operations in the Arctic districts.

The capital and operating costs include underground mining, using scoop-tram and a sub-level system, surface plant and mill, motor road of 50 miles to Expediter Cove on the Beaufort Sea, (the potential harbour site) and the shipping of concentrates (55%-60% Cu. plus 10 ounces of silver) in 7,000-ton ice-reinforced freighters, totalling some 15,000 tons annually, for shipment to Japan or a west coast port of North America.

Based upon the assumption that the Federal Government would provide certain capital financial assistance, as indicated in talks with officials over the past few years, a return of capital plus a profit was indicated.

Without such Federal financial assistance, the operation would not be considered attractive for investment by private capital at this particular stage.

Before any final decisions on production would be justified, it is believed necessary to check the underground geological structure and grade of the No. 47 deposit by development — and also to explore for further ore since the best known exploration possibilities appear to occur on the extensions to that zone, both on strike to greater depth and on the flat lying flow top structures.

A total of \$1,975,010 has been subscribed by the original participants in the exercise of their further rights on treasury shares and their further option rights on treasury shares to carry out a program of surface exploration work for the 1969 season. This work is to consist initially of geophysical surveys along some of the untested fault zone occurrences and their extensions.

TESHIERPI MINES LIMITED

Expenditures for the 1968 work program totalled \$257,150 which included camp erection to house the field crews, the airfreighting of 223 tons of supplies and equipment, 436.3 line miles of geophysical survey, 1,610 line miles of geological survey and 2,820 feet in exploratory diamond drilling in 12 drill holes.

No results of commercial significance were obtained but further work appeared justified and finances supplied accordingly with PCE exercising its right of 25% of financing the purchase of treasury shares, or utilizing first the funds left over from the 1968 program.

NORTHVILLE MINES LTD.

Surface geological mapping in 1968 supported the view that a geophysical survey would be justified along the major Herb Dixon Fault zone. This work is now planned for the 1969 season.

Sufficiently interesting geophysical anomalies could then be tested by diamond drilling according to present planning.

EAST COPPERMINE EXPLORATIONS LTD.

Surface prospecting, geological mapping and geophysical surveys were carried out in 1968 on the claims, including limited diamond drilling, without indicating results of commercial significance.

A similar surface type work program is planned to follow the earlier work and to test unworked areas for the 1969 program.

PCE is maintaining its original financial 10% right of participation.

PROGRESS ON OTHER 1969 PROGRAMS

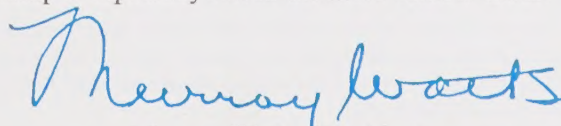
Geophysical - Aerial Scintillometer Survey: A contract for 15,000 line miles has been made and work is started to cover areas in the Sudbury - Blind River area of Ontario, and, in Quebec, in the Mont Laurier area and in a more northerly area of northwestern Quebec in a new and largely unprospected area.

Sudbury Blind - River Area: Surface prospecting and ground scintillometer surveying is underway on the Roberts and Kitchener township claims, adjoining to the south of the uranium discovery of Nordic Mines & Investments Ltd.

Alaska: A comprehensive study and examination of various mineral prospects and possibilities is underway in Alaska with one effort directed toward the Seward Peninsula area near Nome.

Great stimulus is being given to mineral exploration in Alaska through recent major oil developments, which in turn can only lead to important developments in all forms of land, sea, and air transport, the greatest handicap in the development of such resources to this time. This handicap is especially felt in the more remote areas.

On behalf of the Board,



Murray Watts, President.

July 3, 1969.

PCE EXPLORATIONS LIMITED

BALANCE SHEET AS AT JANUARY 31, 1969

ASSETS

	<u>1969</u>	<u>1968</u>
CURRENT ASSETS		
Cash	\$ 868,261	\$ 561,731
Account receivable	34,998	93,765
	<u>903,259</u>	<u>655,496</u>
INVESTMENTS IN UNLISTED MINING COMPANIES — at cost (note 1)	<u>759,051</u>	<u>447,464</u>
FIXED ASSETS		
Mining properties — at cost (note 1)	223,337	208,650
Prospecting equipment — at cost	11,824	7,451
	<u>235,161</u>	<u>216,101</u>
OTHER ASSETS AND DEFERRED EXPENDITURE (notes 1 and 4)		
Interest in exploration participations	226,935	23,493
Exploration, development and administrative expenses	227,738	156,730
	<u>454,673</u>	<u>180,223</u>
	<u>\$2,352,144</u>	<u>\$1,499,284</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of PCE Explorations Limited as at January 31, 1969 and the statements of exploration, development and administrative expenses, deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at January 31, 1969 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, March 24, 1969.

McDONALD, CURRIE & CO.
Chartered Accountants.

LIABILITIES

	<u>1969</u>	<u>1968</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 22,522</u>	<u>\$ 6,933</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 2)

Authorized —

7,500,000 shares of a par value of \$1 each

Issued and fully paid —

6,825,000 shares	6,825,000	6,350,000
Discount thereon (net)	3,612,078	4,089,891
	<u>3,212,922</u>	<u>2,260,109</u>

DEFICIT	<u>883,300</u>	<u>767,758</u>
	<u>2,329,622</u>	<u>1,492,351</u>
	<u>\$2,352,144</u>	<u>\$1,499,284</u>

Signed on behalf of the Board:

MURRAY WATTS,

Director.

MURDOCK C. MOSHER,

Director.

PCE EXPLORATIONS LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENSES

For the Year Ended January 31, 1969

	1969	1968
BALANCE — Beginning of Year	\$ 156,730	\$ 167,988
Expenditures during the year —		
Exploration and development —		
Assays	1,369	—
Drafting	—	1,121
Drilling	32,979	—
Engineering	12,081	8,045
Exploration	77,587	—
Flying	8,294	8,709
General	19,891	1,080
Licences	783	—
Staking	19,766	22,236
Surveys	—	55,700
Travel	2,667	6,577
Wages	21,447	—
	196,864	103,468
Administrative —		
Accounting	3,477	2,637
Advertising and promotion	8,313	2,120
Drafting	252	—
Employees' benefits	2,959	741
Engineering	16,645	—
Fees and licences	1,365	1,277
General	17,453	6,731
Insurance	581	249
Legal and audit	19,122	23,712
Rent	900	2,400
Secretarial	1,470	81
Shareholders' information	13,173	1,778
Telephone and telegraph	6,949	1,410
Transfer agents' fees	8,337	7,443
Travel	6,395	3,851
Wages	9,142	2,392
	116,533	56,822
Less: Interest on deposits	61,027	14,598
	55,506	42,224
	409,100	313,680
Less: Amount written off	90,279	156,950
Proceeds from sale of mining claims	81,037	—
Investment in unlisted mining companies	10,046	—
	181,362	156,950
BALANCE — End of Year	\$ 227,738	\$ 156,730

PCE EXPLORATIONS LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

For the Year Ended January 31, 1969

	1969	1968
SOURCE OF FUNDS		
Share issue	\$ 952,813	\$ 781,500
Interest earned	61,027	14,598
Proceeds from sale of mining claims and properties	87,437	—
	<u>1,101,277</u>	<u>796,098</u>
USE OF FUNDS		
Purchase of investments in unlisted mining companies	301,541	155,418
Expenditures on Coppermine River mining claims	—	2,888
Purchase of prospecting equipment	4,373	2,672
Acquisition of mining properties	46,350	5,650
Increase in joint exploration participations	203,442	74
Exploration, development and administrative expenditure	313,397	160,290
	<u>869,103</u>	<u>326,992</u>
INCREASE IN WORKING CAPITAL	<u>232,174</u>	<u>469,106</u>
WORKING CAPITAL — Beginning of Year	648,563	179,457
Increase in working capital	232,174	469,106
WORKING CAPITAL — End of Year	<u>\$ 880,737</u>	<u>\$ 648,563</u>

STATEMENT OF DEFICIT

For the Year Ended January 31, 1969

	1969	1968
BALANCE — Beginning of Year	<u>\$ 767,758</u>	<u>\$ 572,796</u>
Interest in exploration participations written off	—	12,936
Mining properties written off	25,263	25,076
Exploration, development and administration expenditures in respect thereof	90,279	156,950
	<u>115,542</u>	<u>194,962</u>
BALANCE — End of Year	<u>\$ 883,300</u>	<u>\$ 767,758</u>

PCE EXPLORATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

For the Year Ended January 31, 1969

1. VALUATION OF ASSETS

Investments in unlisted mining companies are shown at cost to date. Mining properties, other assets and deferred expenditure are shown at cost to date less amounts written off. The amounts shown are not intended to represent present or future values.

2. CAPITAL STOCK

During the year 475,000 treasury shares were issued for \$952,813 cash.

3. CONTINGENT LIABILITIES

Actions have been commenced in the Supreme Court of Ontario against the company and its associates alleging claims of breaches of contract in the staking of certain mining claims in the Coppermine River area of the Northwest Territories. The companies have taken the position that they have a good defence to this claim.

The company owns 131,966 shares of capital stock of Muskox Mines Limited at a cost of \$35,020.

The president of the company and the company are named as defendants (together with the other participants in a syndicate known as the Muskox Syndicate), in a Writ issued in the Supreme Court of Ontario, under the terms of which the plaintiff claims that certain of the defendants are not entitled to an interest in the assets of Muskox Syndicate or in shares of Muskox Mines Limited. Muskox Mines Limited was incorporated pursuant to the Syndicate Agreement. The defendants have taken the position that they have good defence to this claim.

4. OPTION AGREEMENTS OUTSTANDING

- (1) The company has the right to acquire, in consideration for \$125,000 expended according to the participation agreement, 250,000 shares of Teshierpi Mines Limited at \$0.50 per share on or before December 31, 1969. In consideration for incurring further expenditures the company has the right to acquire additional shares of Teshierpi Mines Limited as follows:

All or any part of 250,000 shares at \$0.50 per share on or before December 31, 1970.

All or any part of 250,000 shares at \$0.75 per share on or before December 31, 1971.

All or any part of 250,000 shares at \$1 per share on or before December 31, 1972.

- (2) The company has the right to acquire, in consideration for \$20,000 expended according to the participation agreement, 80,000 shares of the capital stock of Northville Explorations Limited at a price of \$0.25 per share on or before September 1, 1969. The company also has the right to acquire further shares of the capital stock of Northville Explorations Limited in consideration of participating in further work on the properties owned by Northville at the following times and in the following amounts:

40,000 shares at a price of \$0.30 per share on or before October 31, 1969

40,000 shares at a price of \$0.40 per share on or before September 1, 1970

40,000 shares at a price of \$0.50 per share on or before October 31, 1970

- (3) The company has options to acquire a further 114,998 shares of Coppermine River Limited at a price of \$1 per share, exercisable on or before April 1, 1970.

5. POST BALANCE SHEET TRANSACTIONS

- (1) The company agreed to subscribe for 40,000 shares of Coppermine River Limited for \$40,000 cash. The said \$40,000 was paid subsequent to January 31, 1969.
- (2) Subsequent to January 31, 1969 the company paid an additional amount of \$15,500 for mining claims located in the Mistassini Area of Quebec in March, 1969 as required by the original sale agreement. These claims are valued on the books of the company at January 31, 1969 at \$8,000.
- (3) Subsequent to January 31, 1969 the company acquired 44,180 shares of the capital stock of East Coppermine Explorations Limited in consideration for \$25,000 expended according to the participation agreement. No further options are outstanding.
- (4) Subsequent to January 31, 1969 the company received 15,483 shares of Teshierpi Mines Limited. These shares form part of the first block of 250,000 shares referred to in note 4 (1).

PCE Explorations Limited - Annual Report/1969

PCE EXPLORATIONS LIMITED

BALANCE SHEET

as at 31st July, 1969

with comparative figures as at 31st July, 1968

ASSETS

	1969	1968
Current Assets		
Cash in bank	\$ 64,522.04	\$ 103,405.75
Deposits receipts	500,000.00	1,050,000.00
Notes receivable	149,184.00	—
Accounts receivable & advances	2,031.49	103,028.49
Sundry deposits	500.00	2,300.00
	\$ 716,237.53	\$ 1,258,734.24
Expenditures on Coppermine River Claims	\$ 127,818.77	127,818.77
Investment in Coppermine River Ltd. — Shares	435,002.00	315,001.25
Investment in Unlisted Mining Companies	261,230.20	191,164.42
Fixed Assets — at cost		
Mining properties	\$ 228,837.00	\$ 209,400.00
Prospecting equipment	10,354.99	7,623.74
Motor vehicle	2,200.00	2,200.00
	\$ 241,391.99	\$ 219,223.74
Other Assets & Deferred Expenditures		
Interest in exploration participation	217,427.48	199,901.88
Deferred exploration and administration expenses	311,477.00	135,469.77
	528,904.48	335,371.65
	<u>\$2,310,584.97</u>	<u>\$2,447,314.07</u>

LIABILITIES

Current Liabilities		
Accounts Payable & Accrued Charges	\$ 7,879.06	\$ 2,150.61

SHAREHOLDERS' EQUITY

Authorized		
7,500,000 shares — par value \$1.00		
Issued and fully paid		
6,825,000	\$6,825,000.00	6,825,000.00
Premium on shares	789,312.50	789,312.50
	\$7,614,312.50	\$7,614,312.50
Less: Discount on shares	(4,401,390.84)	(4,401,390.84)
	\$3,212,921.66	\$3,212,921.66
	(910,215.75)	(767,758.20)
Deficit	<u>\$2,310,584.97</u>	<u>\$2,447,314.07</u>

PCE
EXPLORATIONS
LIMITED

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED JULY 31, 1969

PCE EXPLORATIONS LIMITED

STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES

For the six months ended 31st July, 1969

with comparative figures for the six months ended 31st July, 1968

	1969	1968
Balance beginning of period	\$227,737.00	\$156,730.00
Less: Recovery of costs re sale of claims and other companies	—	(81,036.00)
	<u>\$227,737.00</u>	<u>\$ 75,694.00</u>

Exploration Expenses

Engineering	\$ 4,335.00	\$ 5,416.00
General expense	545.00	143.00
Prospecting supplies & expense	39,165.00	25,754.00
Surveys	7,145.00	1,913.00
Wages	\$ 23,742.00	8,456.00
	<u>\$ 74,932.00</u>	<u>\$ 41,682.00</u>

Administrative Expenses

Accounting	\$ 2,292.00	\$ 475.00
Administration	6,000.00	6,000.00
Advertising	4,763.00	3,509.00
Employee benefits	496.00	757.00
Fees & licenses	629.00	1,315.00
General expense	4,526.00	1,994.00
Insurance	(2,052.00)	225.00
Interest & exchange	(232.00)	65.00
Legal & audit	1,694.00	11,159.00
Rent & office services	2,366.00	1,132.00
Shareholders information	8,563.00	8,495.00
Telephone & telegraph	2,871.00	3,170.00
Transfer agents fees	3,451.00	2,695.00
Travel expense	3,507.00	3,514.00
Wages	15,328.00	12,680.00
	<u>\$ 54,202.00</u>	<u>\$ 57,185.00</u>

Less: Interest on deposits	\$(25,419.00)	\$ (28,032.00)
Sundry income	<u>(3,060.00)</u>	<u>(11,059.00)</u>
	<u>\$ (28,479.00)</u>	<u>\$ (39,091.00)</u>

	<u>\$ 25,723.00</u>	<u>\$ 18,094.00</u>
	<u>\$328,392.00</u>	<u>\$135,470.00</u>

Less: Expenses written off
(see statement of deficit)

Balance at End of Period	<u>\$311,477.00</u>	<u>\$135,470.00</u>
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PCE EXPLORATIONS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the six months period ended 31st July, 1969

with comparative figures for the six months ended 31st July, 1968

	1969	1968
Source of Funds		
Interest income	\$ 25,419.00	\$ 28,032.00
Sale of shares	—	952,813.00
Misc. income	3,060.00	11,059.00
Recovery of exploration costs	—	81,036.00
	<u>\$ 28,479.00</u>	<u>\$1,072,940.00</u>

Application of Funds

Prospecting equipment	\$ 731.00	\$ 2,373.00
Mining lands & rights	15,500.00	750.00
Investment in shares of Coppermine River Ltd.	40,000.00	165,001.00
Investment in shares of unlisted mining companies	25,000.00	21,519.00
Joint exploration ventures (including credit of \$25,000.00 for shares of unlisted mining company — issued for past expenditures)	(9,508.00)	176,409.00
Exploration & administration expense	129,134.00	98,867.00
	<u>\$ 200,857.00</u>	<u>\$ 464,919.00</u>

Increase (decrease) in Working Capital	\$(172,378.00)	\$ 608,021.00
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Working Capital beginning of period	880,737.00	648,563.00
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Working Capital end of period	<u>\$ 708,359.00</u>	<u>\$1,256,584.00</u>
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Current Assets	\$ 716,238.00	\$1,258,734.00
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Current Liabilities	\$ 7,879.00	2,150.00
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	<u>\$ 708,359.00</u>	<u>\$1,256,584.00</u>
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STATEMENT OF DEFICIT

Balance beginning of period	\$ 883,299.98	\$ 767,758.20
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Add: Cost of options and exploration

expenses on Baskatong Area

Claims allowed to lapse

\$10,000.00 + \$16,915.77

26,915.77

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Balance end of period

	<u>\$ 910,215.75</u>	<u>\$ 767,758.20</u>
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